



Date: October 16, 2000

To: Bonneville Power Administration [*Submitted electronically via comment@BPA.gov*]

Subject: [PS-6 CRAC Design and Amended 7\(i\) Process](#)

The Energy Policy Division of the Washington Office of Trade and Economic Development appreciates the opportunity to comment on BPA's imminent proposal to re-open the rate case in an amended 7(I) process. The administrator's letter of October 5, 2000 raises a number of important questions to which we are pleased to respond.

In regard to the proposed changes to the design of the CRAC, we believe that significant progress has been made during the discussions of the last few weeks. The end-point of those discussions should form the basis of the CRAC design that will be included in BPA's amended proposal.

In regard to the first and second bullets of the October 5 letter, we believe that following two principles apply:

1. The new proposal should keep, as much as possible, the relative distribution of benefits to BPA customer groups that was contained in the Subscription ROD and the original rate proposal. We understand that changes in market conditions may change the relative value of the allocations to various customer groups, but since the original proposal won deep, although grudging in some cases, respect from the region, its overall outline needs to be respected. It is essential that BPA adhere to its own principle of spreading the benefits across the region if we are to have a common stake in defending those benefits.

2. All customer groups should face the same exposure to BPA's cost of market purchases necessary to meet the firm power commitments (or their equivalent) they purchase from BPA. We acknowledge that the details of implementing this principle can quite complex, but, as a starting point, both 28.1 mill caps-- for exposure to slice purchases of market prices and for the IOUs for benefits for residential customers in the exchange settlement-- should be raised in order to make it possible to treat all customer groups roughly the same in a volatile market. Otherwise, there is a risk that BPA's costs will be shifted from one customer group to another.

For example, in the letter the question is raised, "should the financial, as well as the power, component of the IOU settlement proposal be subjected to a CRAC?" Our response would be, if the financial component is considered to be the equivalent of a firm power commitment than the CRAC ought to apply to it-- but only if the 28.1 mill cap is lifted. If the overall point of the exchange settlement is to provide the equivalent of 1900 aMW of preference power to residential customers of the IOUs, then the entire rate case/settlement/CRAC package ought to reflect that. In a similar manner, if part of Slice is a firm preference power commitment, than there should be no cap on the costs included in meeting that commitment.

We also believe that while considering the costs of acquiring power on the market to meet subscription loads, BPA should not forget that in a rising market conservation becomes an ever more cost-effective way of meeting that load. We have been concerned that BPA's Conservation Augmentation program will fall far short of acquiring the cost-effective conservation that is obtainable, thereby subjecting the entire region to higher costs and causing us to lose an opportunity to reduce electricity demand for the long run. We hope that BPA will work closely with its customers and Power Planning Council staff to make the Conservation Augmentation program capable of meeting the needs of the region.

We hope these comments are useful to you as you once again try to bring this rate case to a successful conclusion. These are difficult issues in volatile times and we appreciate your efforts to balance all regional interests in developing a final proposal.

Sincerely,

Howard Schwartz